

Message Text

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14

ACTION AID-59

INFO OCT-01 EA-11 ISO-00 SR-02 ORM-03 ABF-01 EB-11 COME-00

TRSE-00 OMB-01 IGA-02 SS-20 PM-07 CIAE-00 INR-10

NSAE-00 RSC-01 DODE-00 L-03 H-03 NSC-10 DRC-01 /146 W

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R 200225Z DEC 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 0000

INFO AMEMBASSY SAIGON

AMEMBASSY VIENTIANE

CINCPAC HONOLULU HI

C O N F I D E N T I A L TOKYO 16388

E.O. 11652: GDS

TAGS: EAID, JA, VS, LA

SUBJ: JAPANESE AID TO INDOCHINA

REF: A. TOKYO 15524

B. VIENTIANE 8124

C. VIENTIANE 8202 (NOTAL)

D. STATE 241566 (NOTAL)

E. SAIGON 21065 (NOTAL)

SUMMARY: JAPANESE DIET HAS PASSED SUPPLEMENTARY BUDGET WITH FUNDS FOR GRANT AID FOR NORTH AND SOUTH VIETNAM AND LAOS. GOJ NOW NEGOTIATING WITH RLG AND GVN RE GRANT AID. GOJ ALSO STUDYING GVN COMMODITY LIST OF IMPORTS TO BE FUNDED WITH GOJ LOAN. GOJ REQUESTS INFO RE FUTURE U.S. AID TO SOUTH VIETNAM. END SUMMARY.

1. JAPANESE DIET DECEMBER 14 PASSED SUPPLEMENTARY BUDGET BILL CONTAINING FUNDS FOR GRANT AID TO NORTH AND SOUTH VIETNAM AND LAOS (REF A).

2. ON DECEMBER 17, EMBOFF REVIEWED STATUS OF PROPOSED GRANT AID TO LAOS AND SOUTH VIETNAM WITH SASAKI, DEPUTY HEAD, CONFIDENTIAL
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SECOND ECONOMIC COOPERATION DIVISION, FONOFF. WHILE DECLIN-
ING TO GIVE SPECIFICS, SASAKI DID CONFIRM THAT GOJ NOW NE-

GOTIATING RE GRANT AID WITH BOTH RLG AND GVN AND SAID GOJ HOPES CONCLUDE NEGOTIATIONS AND DISBURSE AID AS SOON AS POSSIBLE. IN CASE OF SOUTH VIETNAM, HE SAID, IT LIEKLY MOST GRANT AID WILL BE UTILIZED FOR REFUGEE RESETTLEMENT PURPOSES.

3. ON DECEMBER 18, EMBOFF REVIEWED PROPOSED LOAN AID TO SOUTH VIETNAM WITH UCHIDA OF FIRST ECONOMIC COOPERATION DIVISION. ACCORDING TO UCHIDA, GOJ HAD APPROACHED GVN IN AUGUST RE LOAN ASSISTANCE, BUT NOT UNTIL LATE NOVEMBER DID GVN RESPOND, GIVING TO GOJ A DETAILED REQUEST AND COMMODITY LIST WITH FOUR CATEGORIES OF GOODS AND REQUESTING GOJ FINANCE GOODS FROM CATEGORY A (VERY ESSENTIAL) AND CAGEGORY B (ESSENTIAL), (CF REFTELS D AND E). GVN'S WISH, ACCORDING TO UCHIDA, IS TO USE GOJ LOAN TO FINANCE IMPORTS NOT FUNDED BY US CIP. MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY, WHICH HAS AUTHORITY TO DECIDE QUESTION, PRESENTLY STUDYING LIST. ALTHOUGH LIST INCLUDES SOME ITEMS WHICH GOJ CONSIDERS TO BE SENSITIVE, FOR INSTANCE, TRUCKS (WHICH MIGHT BE USED FOR MILITARY PURPOSES) AND SHIPS (FOR WHICH GOJ, EXCEPT IN RARE CASES, DOES NOT PROVIDE LOAN ASSISTANCE), MITI, ACCORDING TO UCHIDA, IS IN GENERAL FAVORABLY DISPOSED TOWARDS LIST. ONCE INTERMINISTERIAL AGREEMENT HAS BEEN REACHED, GOJ WILL RESPOND TO GVN REQUEST.

4. IN FIRING UP POSITION ON LOAN AID TO SOUTH VIETNAM, GOJ FACING TWO DIFFICULTIES:

A) DECIDING ON TERMS AND CONDITIONS OF LOAN. ALTHOUGH MATTER NOT DECIDED, UCHIDA PERSONALLY BELIEVES LOAN WILL BE UNTIED FOR PROCUREMENT IN LDC'S. HOWEVER, IN LIGHT OF EXTREMELY TIGHT BUDGET SITUATION, GOJ FACED WITH COMPLETING DEMANDS OF VARIOUS AID RECIPIENT COUNTRIES FOR LOANS ON SOFT TERMS. ARGUING THAT \$20 MILLION GRANT AID WILL SOFTEN AVERAGE TERMS OF \$50 MILLION PACKAGE, MINISTRY OF FINANCE IS HOLDING OUT FOR RELATIVELY HARD LOAN TERMS.

B) ADMINISTRATION OF COUNTERPART PIASTRES TO BE GENERATED BY COMMODITY LOAN. GOJ FEELS STRONGLY SUCH FUNDS SHOULD BE USED ONLY FOR RECONSTRUCTION AND REHABILITATION, BUT FEARS THEY MAY BE DIVERTED TO MILITARY OR OTHER PURPOSES. THUS, GOJ WANTS A WELL-ORGANIZED AND ADMINISTERED SYSTEM TO PREVENT THIS AND HAS APPROACHED GVN ALONG THESE LINES. HOWEVER, CONFIDENTIAL
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ACCORDING TO UCHIDA, GVN, ACCUSTOMED TO US AID WITHOUT SUCH LIMITATIONS, HAS NOT YET RESPONDED SATISFACTORILY TO GOJ REQUEST.

5. ALTHOUGH GOJ HOPES LOANS CAN BE DISBURSED WITHIN JFY 1973 (ENDING MARCH 31, 1974), IT NOT CONFIDENT THIS CAN BE DONE. LOAN AGREEMENT MAY STIPULATE PERIOD OF ONE YEAR DURING WHICH FUNDS MAY BE DISBURSED.

6. IN CLOSING, UCHIDA NOTED HE UNDERSTANDS USG THINKING OF

SWITCHING SOME AID TO SOUTH VIETNAM FROM GRANT TO LONGTERM
LOAN BASIS. FONOFF WOULD APPRECIATE EXPLANATION USG THINKING
THIS POINT.

7. IN SEPARATE CONVERSATION DECEMBER 19, KIKUCHI, DEPUTY
DIRECTOR GENERAL, ECONOMIC COOPERATION BUREAU, TOLD E/COUNS
THAT GRANT TO SOUTH VIETNAM WOULD BE FOR REFUGEE HOUSING AND
LOAN FOR COMMODITIES. KIKUCHI NOTED THAT GVN CABINET RE-
SHUFFLE HAD CAUSED CONSIDERABLE DELAY IN ARRANGING DISBURSE-
MENT OF GOJ AID. HE ALSO STATED (CONTRARY TO EXPLANATION RE-
PORTED PARA 2 E REF A) THAT GRANT FUNDS FROM SUPPLEMENTARY
BUDGET MUST BE EXPENDED WITHIN JFY. GOJ HOPES TO EXPEND FUNDS
WITHIN JFY, BUT, HE ASSERTED, GVN DOES NOT SEEM TO SHARE
SENSE OF URGENCY.

8. ACTION REQUESTED: GUIDANCE FOR RESPONSE TO QUESTION PARA 6.
SHOESMITH

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